

**ROCKCASTLE COUNTY
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2025

Prepared by:

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TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT DISCUSSION AND ANALYSIS	4-10
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Fund Net Position – Proprietary Fund.....	17
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund.....	18
Statement of Cash Flows – Proprietary Fund.....	19
Notes to the Financial Statements.....	20-52
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund	53
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund.....	54
Schedule of the District’s Proportionate Share of the Net Pension Liability CERS and TRS.....	55
Schedule of Contributions CERS and TRS.....	56
Notes to Required Supplementary Information – Pensions.....	57-58
Schedule of the District’s Proportionate Share of the Net OPEB Liability – Medical and Life Insurance Plans – Teachers’ Retirement System.....	59
Schedule of Contributions - Medical and Life Insurance Plans – Teachers’ Retirement System	60

Schedule of the District’s Proportionate Share of the Net OPEB Liability - Health Insurance Plan – County Employee Retirement System.....	61
Schedule of Contributions - Health Insurance Plan – County Employee Retirement System	62
Notes to Required Supplementary Information - OPEB.....	63-64

SUPPLEMENTARY INFORMATION

Combining Statements – Nonmajor Funds and Other:

Combining Balance Sheet – Nonmajor Governmental Funds	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	66
Combining Balance Sheet – School Activity Fund.....	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - School Activity Fund.....	68
Statement of Revenues, Expenditures, and Changes in Fund Balance - Rockcastle County High School.....	69
Schedule of Expenditures of Federal Awards.....	70-71
Notes to the Schedule of Expenditures of Federal Awards.....	72

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>.....	73-74
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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....	75-77
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	78
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	79
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Rockcastle County School District
Mt. Vernon, KY

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rockcastle County School District (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United State, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities and States Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Adoption of New Accounting Standard

As discussed in Note A to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, during the year ended June 30, 2025. The adoption of this statement resulted in a change in the accounting for compensated absences and a restatement of beginning net position as of June 30, 2024. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design,

implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Schedules of the District's Proportionate Share of the Net Pension and OPEB Liability and Schedule of Contributions for CERS and TRS and Medical and Life and Health Insurance Plans comparison information on pages as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although

not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Allen + Associates, PLLC

Richmond, KY
January 30, 2026

Rockcastle County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2025



As management of the Rockcastle County School District, we offer readers of the District’s Financial Statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

As management of the Rockcastle County School District, we offer readers of the District’s Financial Statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS:

The Rockcastle County School District continues to demonstrate its stable and well-managed financial position, in showing the district’s ability to meet its obligations and sustain its educational programs. The beginning fund balance for the district in the General Fund was \$5,401,971.85. The ending balance for fiscal year 2025 was \$6,546,931.09. This comprised an increase of \$1,144,959.24.

The financial statements indicate careful budgeting and spending, confirming that the district is maximizing resources to benefit students, staff, and educational initiatives. These positive statements demonstrate our accountability and transparency to achieve the district’s goals.

The General Fund Revenue totaled \$35,849,377.22 which primarily consists of state program funding (SEEK), property, utility and motor vehicle taxes. General Fund expenditures total \$29,302,446.13 exclusive of other financing sources. These totals include \$8,175,445.25 of on-behalf payments from the Commonwealth of Kentucky for health insurance, life insurance and Kentucky Teachers’ Retirement contributions.

Our fiscal system pillar is active in our community based accountability model, where we strive to establish initiatives, objectives, strategies, and tasks. These efforts are strengthening alignment between budgets and district improvement priorities, increasing transparency, and ensuring fiscal considerations are integrated into action plans and decision-making throughout the year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Rockcastle County School District’s basic financial statements. The District’s basic financial statements are composed of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Rockcastle County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2025

District-Wide Financial Statements - The district-wide financial statements are designed to provide readers with a broad overview of the Rockcastle County School District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Rockcastle County School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Rockcastle County School District is improving or deteriorating.

The statement of activities presents information showing how the Rockcastle County School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the Rockcastle County School District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on the table of contents in this report.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the ERP accounting software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on the table of contents in this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on the table of contents in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows were more than liabilities and deferred inflows by approximately \$27.56 million as of June 30, 2025. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Rockcastle County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2025

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

2025 District-Wide Governmental Net position compared to 2024 as follows:

Table 1
Net Position (in Millions)

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Percentage
	2024	2025	2024	2025	2024	2025	Change
	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024-2025</u>
Assets:							
Current and Other Assets	17.00	54.78	0.95	0.22	17.96	55.00	206%
Capital Assets	<u>33.44</u>	<u>46.16</u>	<u>0.39</u>	<u>0.38</u>	<u>33.83</u>	<u>46.54</u>	38%
Total Assets	<u>50.45</u>	<u>100.94</u>	<u>1.34</u>	<u>0.60</u>	<u>51.79</u>	<u>101.54</u>	96%
Deferred Outflows							
	<u>7.69</u>	<u>6.15</u>	<u>0.18</u>	<u>0.13</u>	<u>7.88</u>	<u>6.28</u>	-20%
	<u>7.69</u>	<u>6.15</u>	<u>0.18</u>	<u>0.13</u>	<u>7.88</u>	<u>6.28</u>	
Liabilities:							
Current Liabilities	1.84	4.78	-	-	1.84	4.78	160%
Noncurrent Liabilities	<u>24.66</u>	<u>66.87</u>	<u>0.62</u>	<u>0.34</u>	<u>25.28</u>	<u>67.21</u>	166%
Total Liabilities	<u>26.49</u>	<u>71.65</u>	<u>0.62</u>	<u>0.34</u>	<u>27.12</u>	<u>71.99</u>	165%
Deferred Inflows							
	<u>9.71</u>	<u>7.89</u>	<u>0.18</u>	<u>0.18</u>	<u>9.89</u>	<u>8.07</u>	-18%
	<u>9.71</u>	<u>7.89</u>	<u>0.18</u>	<u>0.18</u>	<u>9.89</u>	<u>8.07</u>	
Invested in Capital Assets							
Net of Debt	22.25	(8.15)	0.41	0.39	22.66	(7.76)	-134%
Restricted	9.93	44.47	0.04	(0.17)	9.97	44.30	344%
Permanent-spendable	0.03	0.03	-	-	0.03	0.03	0%
Unrestricted Net Position	<u>(10.27)</u>	<u>(8.79)</u>	<u>-</u>	<u>-</u>	<u>(10.27)</u>	<u>(8.79)</u>	-14%
Total Net Position	<u>21.93</u>	<u>27.56</u>	<u>0.45</u>	<u>0.22</u>	<u>22.38</u>	<u>27.77</u>	24%

Rockcastle County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2025

GOVERNMENTAL ACTIVITIES

Ending net position was \$40.27 million for the District. This was an increase of \$34.26 million from 2024.

Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage
	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024-2025</u>
Revenues:							
Charges for services	\$ -	\$ -	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	-4%
Operating grants and contributions	7.24	6.48	2.76	2.69	10.00	9.17	-8%
Capital grants and contributions	1.27	2.64	-	-	1.27	2.64	108%
General revenues	29.84	35.19	(0.03)	(0.07)	29.81	35.12	18%
Total revenue	38.35	44.31	2.79	2.67	41.13	46.98	14%
Expenses:							
Instruction	\$21.37	\$21.58	\$ -	-	\$21.37	\$21.58	1%
Student	2.68	2.97	-	-	2.68	2.97	11%
Instructional staff	1.06	1.50	-	-	1.06	1.50	41%
District administration	0.60	0.86	-	-	0.60	0.86	43%
School administration	1.52	1.85	-	-	1.52	1.85	22%
Business	0.37	0.47	-	-	0.37	0.47	27%
Plant operation & maintenance	2.58	2.22	-	-	2.58	2.22	-14%
Student transportation	2.29	2.70	-	-	2.29	2.70	18%
Food Service Operations	0.05	0.32	3.03	2.88	3.08	3.20	4%
Community services operations	0.01	0.38	-	-	0.01	0.38	7500%
Building Acqu & Construction	0.36	-	-	-	0.36	-	-100%
Amortization	-	-	-	-	-	-	#DIV/0!
Depreciation	1.18	1.12	0.03	0.03	1.22	1.15	-6%
Interest on long-term debt	0.47	1.39	-	-	0.47	1.39	195%
Total Expenses	\$34.54	\$37.36	\$ 3.06	\$ 2.91	\$34.26	\$40.27	18%
Change in net position	\$ 3.81	\$ 6.96	\$(0.28)	\$(0.25)	\$ 1.39	\$ 6.71	-383%

Rockcastle County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2025

CAPITAL ASSETS

At the end of fiscal 2025, the District had \$16.75 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents an increase (including additions and deductions) of \$10.66 million over last year.

Capital Assets (net) at Year-End FY2025

	Governmental Activities		Business Type Activities		Totals	
	2024	2025	2024	2025	2024	2025
Land	658,955	2,283,955	-		658,955	2,283,955
Land Improvements	80,331	76,006	-		80,331	76,006
Buildings & Improvements	25,099,485	25,339,839	296,244	281,155	25,395,729	25,620,994
Technology Equipment	(1,878)	(1,878)	52	52	(1,826)	(1,826)
Vehicles	1,391,358	1,602,707	-		1,391,358	1,602,707
General Equipment	126,856	110,198	117,291	103,377	244,146	213,575
Construction In Progress	6,089,634	16,750,180	-	-	6,089,634	16,750,180

DEBT

Capital lease and general obligation debt increased from 11.20 FY 2024 to 54.31 in FY25.

Outstanding Debt at Year-End
(in Millions)

	Governmental Activities	
	2024	2025
General Obligation Bonds	\$ 11.20	\$ 54.31
Total Obligations	\$ 11.20	\$ 54.31

Rockcastle County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2025

THE DISTRICT’S FUNDS

As the District completed the year, the General Fund reflected a fund balance of \$6,546,931.09 which is \$1,144,959.24 more than last year’s fund balance of \$5,401,971.85. The following table presents a summary of revenue and expense for the District as a whole for the fiscal year ended June 30, 2025:

REVENUE		
	Governmental	Proprietary
Local Revenue Sources	8,851,964	50,517
State Revenue Sources	30,253,929	295,715
Federal Revenue Sources	5,102,825	2,395,547
Other	44,862,641	34,587
Transfers	1,590,123	
TOTALS	90,661,482	2,776,366
EXPENDITURES	Governmental	Proprietary
Instruction	23,035,228	
Student Support Services	2,979,541	
Instructional Staff Support Services	1,573,035	
District Admin Support	874,670	
School Admin Support	1,952,569	
Business Support Services	492,463	
Plant Operation & Management	2,796,554	
Student Transportation	2,813,610	
Food Service Operations	322,605	2,911,011
Community Services	384,300	
Building Acqu & Construction	1,600,000	
Debt Service	2,935,412	
Site Improvement	11,759,234	
Building Renovations		
Other Items		
Transfers	1,485,134	104,989
TOTALS	55,004,355	3,016,000
Excess / (Deficit)	35,657,127	(239,634)

*Note: This chart does not include beginning balances.

Rockcastle County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2025

Comments on Budget Comparisons

- The District’s total general fund revenues for the fiscal year ended June 30, 2025 net of other financing sources and uses were \$35.8 million including “On-Behalf” payments compared to \$32 million in 2024.
- The total cost of all general fund programs and services was \$29.30 million in 2025 compared to \$25.9 in 2024. An increase in SEEK per student from \$4200 in 2024 to \$4326 in 2025 resulted in vital revenues for the district.

BUDGETARY IMPLICATIONS

- **Rockcastle County School’s Community-Based Accountability Model** emphasizes shared responsibility, transparency, and continuous improvement by actively involving educators, families, students and community stakeholders in supporting student success.
- Supporting Rocket Leaders has enabled the district to invest in staff pay, this is a direct investment in our students. Competitive wages help us attract and retain high-quality educators and staff who create staple, supportive learning environments where students can succeed. These investments reflect the value we place on the work educators and support staff do every day. This is one of the many reasons Rockcastle County Schools was named a **2025 Best Places to Work and 2025 KEMI Destiny Award Winner for Workplace Safety**.
- By law, the budget must have a minimum 2% contingency. The District adopted a tentative budget for 2024-2025 with a 15.8% total contingency of \$4,371,657.74 in general fund. The breakdown is \$1,845,960 contingency and \$2,525,698 is restricted contingency.
- The beginning fund balance for the district in the General Fund was \$5,401,971.85. The ending balance for fiscal year 2025 was \$6,546,931.09. This comprised an increase of \$1,144,959.24. The Rockcastle Academy for Achievement sustained significant roof damage resulting in a claim of \$991,597. The insurance payment was received in FY25, with payment in FY26. The net increase in the ending fund balance was \$153,362.24.

Questions regarding this report should be directed to Jenny Sweet, Director of Finance or Dr. Carrie Ballinger Superintendent at (606) 256-2125 or by mail at Rockcastle County Board of Education, 245 Richmond Street, Mount Vernon, Kentucky 40456.



Rockcastle County School District
Statement of Net Position
June 30, 2025

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 11,678,109	\$ 162,358	\$ 11,840,467
Investments	41,931,149		41,931,149
Receivables (net)			
Taxes	135,136		135,136
Accounts	47,936	7,607	55,543
Intergovernmental	991,779		991,779
Inventories		40,826	40,826
Net OPEB asset		9,509	9,509
Capital assets:			
Land, and construction in progress	19,034,135		19,034,135
Other capital assets, net of depreciation	27,126,871	384,584	27,511,455
Total capital assets	46,161,006	384,584	46,545,590
	100,945,116	604,885	101,550,000
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,342,392	91,328	2,433,721
Deferred outflows related to OPEB	3,809,879	34,491	3,844,369
Deferred outflows related to defeasance costs	4,566		4,566
	6,156,837	125,819	6,282,656
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	107,101,953	730,704	107,832,656
LIABILITIES			
Accrued interest payable	425,466		425,466
Accounts payable	2,403,557		2,403,557
Unearned revenue	692,687		692,687
Long-term liabilities:			
Due within 1 year:			
Bond obligations	1,265,000		1,265,000
Total due within 1 year	1,265,000	-	1,265,000
Due in more than 1 year:			
Bond obligations	53,041,224		53,041,224
Sick leave	1,682,435		1,682,435
Net pension liability	8,424,138	13,235	8,437,374
Net OPEB liability	3,719,111	328,451	4,047,562
Total due in more than 1 year	66,866,908	341,686	67,208,594
Total liabilities	71,653,618	341,686	71,995,304
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,838,749	71,692	1,910,441
Deferred inflows related to OPEB	6,052,448	107,043	6,159,491
Total deferred inflows of resources	7,891,198	178,735	8,069,932
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	79,544,815	520,421	80,065,236
NET POSITION			
Net Investment in capital assets	(8,145,218)	384,584	(7,760,634)
Restricted for:			
Capital projects	44,471,074		44,471,074
Food Service		(174,301)	(174,301)
Other	698		698
Permanent-spendable	25,000		25,000
Unrestricted	(8,794,417)		(8,794,417)
Total net position	27,557,137	210,283	27,767,420
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 107,101,953	\$ 730,704	\$ 107,832,656

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 21,581,037	\$ -	\$ 3,744,438		\$ (17,836,599)		\$ (17,836,599)
Support Services							
Student	2,967,484		514,876		(2,452,608)		(2,452,608)
Instructional Staff	1,504,212		260,990		(1,243,222)		(1,243,222)
District Administration	855,153		148,374		(706,779)		(706,779)
School Administration	1,850,314		321,041		(1,529,274)		(1,529,274)
Business	469,292		81,425		(387,867)		(387,867)
Plant Operation & Maintenance	2,216,865		384,639		(1,832,225)		(1,832,225)
Student Transportation	2,701,547		468,734		(2,232,813)		(2,232,813)
Food Service Operations	322,605		55,974		(266,631)		(266,631)
Community Services Operations	384,300		66,678		(317,622)		(317,622)
Building Acquisition & Construction			-	2,639,355	2,639,355		2,639,355
Depreciation and amortization	1,118,932		194,141		(924,791)		(924,791)
Interest on general long-term debt	1,390,587		241,275		(1,149,312)		(1,149,312)
Total governmental activities	37,362,327	-	6,482,586	2,639,355	(28,240,386)		(28,240,386)
Business-type activities:							
Food service operations	2,882,008	50,517	2,691,262			\$ (140,230)	(140,230)
Depreciation	29,003					(29,003)	(29,003)
Total business-type activities	2,911,011	50,517	2,691,262	-	-	(169,232)	(169,232)
Total primary government	\$ 40,273,338	\$ 50,517	\$ 9,173,847	\$ 2,639,355	(28,240,386)	(169,232)	(28,409,619)
General revenues:							
Taxes:							
					2,704,969		2,704,969
					705,065		705,065
					405,929		405,929
					857,036		857,036
					956,393		956,393
					26,234,813		26,234,813
					1,670,762		1,670,762
					1,551,810	34,587	1,586,397
					104,988	(104,989)	(1)
				Total general revenues	35,191,767	(70,403)	35,121,364
Change in net position					6,951,380	(239,635)	6,711,746
Net position - beginning					21,934,217	449,918	22,384,135
Adoption of Accounting Principle - Note O					(1,354,496)		(1,354,496)
Correction of an Error - Note P					26,036		26,036
Net position restated - beginning					20,605,757	449,918	21,055,674
Net position - ending					\$ 27,557,137	\$ 210,283	\$ 27,767,420

See the accompanying notes to the financial statements.

Rockcastle County School District
Balance Sheet
Governmental Funds
June 30, 2025

Governmental Funds

	<u>General</u>	<u>Special Revenue</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 3,684,913	\$	\$ 5,729,718	\$ 1,619,314	\$ 644,163	\$ 11,678,109
Investments	2,525,698			39,405,452		41,931,149
Interfund (Special Revenue Fund)	222,469					222,469
Receivables, net						
Taxes-current	129,597					129,597
Taxes-Delinquent	5,539					5,539
Other	47,936					47,936
Intergovernmental - State		194,872				194,872
Intergovernmental - Federal		796,907				796,907
Total assets	<u>6,616,151</u>	<u>991,779</u>	<u>5,729,718</u>	<u>41,024,766</u>	<u>644,163</u>	<u>55,006,578</u>
LIABILITIES						
Accounts payable	43,522	76,625		2,283,410		2,403,557
Interfund payable (General Fund)		222,469				222,469
Unearned revenue		692,687				692,687
Total liabilities	<u>43,522</u>	<u>991,780</u>	<u>-</u>	<u>2,283,410</u>	<u>-</u>	<u>3,318,712</u>
FUND BALANCE						
Nonspendable	25,000					25,000
Restricted	698		5,729,718	38,741,356		44,471,772
Committed					644,163	644,163
Unassigned	6,546,931					6,546,931
Total fund balance	<u>6,572,629</u>	<u>-</u>	<u>5,729,718</u>	<u>38,741,356</u>	<u>644,163</u>	<u>51,687,866</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,616,151</u>	<u>\$ 991,780</u>	<u>\$ 5,729,718</u>	<u>\$ 41,024,766</u>	<u>\$ 644,163</u>	<u>\$ 55,006,578</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2025

Fund balances-total governmental funds	\$	51,687,866
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		46,161,006
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus		4,566
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued interest payable		(425,466)
Bonds payable		(54,306,224)
Sick leave liability		(1,682,435)
Net pension liability		(8,424,138)
Net OPEB liability		(3,719,111)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows related to pensions		2,342,392
Deferred outflows related to OPEB		3,809,879
Deferred inflows related to OPEB		(6,052,448)
Deferred inflows related to pensions		(1,838,749)
Net position of governmental activities	\$	<u>27,557,138</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	<u>General</u>	<u>Special Revenue</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
From Local Sources						
Taxes						
Property	\$ 1,448,779	\$	\$ 1,256,190	\$	\$	\$ 2,704,969
Motor vehicle	705,065					705,065
Franchise	405,929					405,929
Utilities	857,036					857,036
Student activities					956,393	956,393
Earnings on investments	606,207	40,833		872,526	32,244	1,551,810
Other local revenue	1,271,869	354,204			44,689	1,670,762
Intergovernmental - state	24,423,221	1,738,925	2,394,445		1,697,338	30,253,929
Intergovernmental - federal	359,164	4,743,661				5,102,825
Total revenues	<u>30,077,271</u>	<u>6,877,623</u>	<u>3,650,635</u>	<u>872,526</u>	<u>2,730,665</u>	<u>44,208,719</u>
EXPENDITURES						
Instruction	16,893,908	5,445,666			695,653	23,035,228
Support Services						
Student	2,617,048	362,493				2,979,541
Instructional Staff	1,237,916	316,190			18,929	1,573,035
District Administration	874,670					874,670
School Administration	1,952,569					1,952,569
Business	492,463					492,463
Plant Operation & Maintenance	2,702,771	93,782				2,796,554
Student Transportation	2,476,566	309,490			27,553	2,813,610
Food Service					322,605	322,605
Community Services		384,300				384,300
Building Acquisitions & Construction			1,600,000			1,600,000
Building Improvements				11,759,234		11,759,234
Debt Service				317,529	2,617,883	2,935,412
Total expenditures	<u>29,247,912</u>	<u>6,911,922</u>	<u>1,600,000</u>	<u>12,076,763</u>	<u>3,682,624</u>	<u>53,519,221</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	829,359	(34,299)	2,050,635	(11,204,237)	(951,959)	(9,310,502)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	370,134	54,534			1,165,455	1,590,123
Operating transfers (out)	(54,534)	(20,235)	(1,165,455)		(244,910)	(1,485,134)
Bond Proceeds				43,640,000		43,640,000
Bond Premium				1,222,641		1,222,641
Total other financing sources and (uses)	<u>315,600</u>	<u>34,299</u>	<u>(1,165,455)</u>	<u>44,862,641</u>	<u>920,545</u>	<u>44,967,630</u>
NET CHANGE IN FUND BALANCE	1,144,959	-	885,180	33,658,403	(31,414)	35,657,128
FUND BALANCE-BEGINNING	<u>5,427,669</u>	<u>-</u>	<u>4,844,539</u>	<u>5,082,953</u>	<u>649,542</u>	<u>16,004,702</u>
Correction of an Error - Note P					<u>26,036</u>	<u>26,036</u>
Restated Fund Balance Beginning	<u>5,427,669</u>	<u>-</u>	<u>4,844,539</u>	<u>5,082,953</u>	<u>675,578</u>	<u>16,030,738</u>
FUND BALANCE-ENDING	<u>\$ 6,572,628</u>	<u>\$ -</u>	<u>\$ 5,729,718</u>	<u>\$ 38,741,356</u>	<u>\$ 644,164</u>	<u>\$ 51,687,866</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities**
For the Year Ended June 30, 2025

Net change in fund balances-total governmental funds	\$	35,657,128
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions less costs of benefits earned net employee contributions		193,300
Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.		
District OPEB contributions less costs of benefits earned net employee contributions		1,847,748
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.		
		12,716,266
The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.		
		(4,566)
Bonds sold at a discount/premium are deducted/added to the related bond issues and amortized over the life of the bond in the government wide financial statements, but are recognized in the year the bonds are sold in the fund financial statements.		
		73,619
Bond and financed purchase payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		
		1,649,000
Bond proceeds are reported as revenues but are recorded as an increase of liabilities net of premiums and discounts in the government wide financial statements		
		(44,833,236)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Accrued interest payable		(177,794)
Noncurrent sick leave payable		(170,083)
		(347,877)
Change in net position of governmental activities	\$	6,951,380

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2025

	School Food Services
ASSETS	
Cash and cash equivalents	\$ 162,358
Accounts receivable	7,607
Inventories	40,826
Net OPEB asset	9,509
Capital assets:	
Other capital assets, net of depreciation	384,584
Total assets	604,885
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	34,491
Deferred outflows related to pensions	91,328
	125,819
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	730,704
 LIABILITIES	
Accounts payable	13,235
Net pension liability	328,451
Total liabilities	341,686
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	107,043
Deferred inflows related to pensions	71,692
Total deferred inflows of resources	178,735
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	520,421
 NET POSITION	
Net Investment in capital assets	384,584
Restricted for food service	(174,301)
Total net position	210,283
 TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 730,704

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2025

		<u>School Food Services</u>
OPERATING REVENUES		
Lunchroom sales	\$	50,517
Total operating revenues		<u>50,517</u>
OPERATING EXPENSES		
Depreciation		29,003
Food service operations		
Employee services		1,193,325
Operational expense		<u>1,688,683</u>
Total operating expenses		<u>2,911,011</u>
Operating income (loss)		<u>(2,860,494)</u>
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental revenues		2,691,262
Transfers in (out)		(104,989)
Earnings from investments		<u>34,587</u>
Total nonoperating revenues (expenses)		<u>2,620,859</u>
CHANGE IN NET POSITION		(239,635)
NET POSITION-BEGINNING		<u>449,918</u>
NET POSITION-ENDING	\$	<u><u>210,283</u></u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2025

**School
Food
Services**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$	43,001
Payments to suppliers		(1,191,274)
Payments to employees		(1,873,121)
Net cash provided (used) by operating activities		<u>(3,021,394)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating grants and contributions		2,691,262
Transfers		<u>(104,989)</u>
Net cash provided (used) by noncapital financing activities		<u>2,586,272</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest		<u>34,587</u>
Net cash provided (used) by investing activities		<u>34,587</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (400,535)

CASH AND CASH EQUIVALENTS-BEGINNING 562,892

CASH AND CASH EQUIVALENTS-ENDING \$ 162,358

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	\$	(2,860,494)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		29,003
Changes in assets and liabilities:		
Receivables		(7,516)
Inventory		(11,183)
Deferred Inflows		(135,584)
Deferred Outflows		110,028
Pension liability		(157,926)
OPEB asset		(956)
Accounts payable		13,235
Net cash provided (used) by operating activities	\$	<u>(3,021,394)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$172,808 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$295,715 provided by state government.

See the accompanying notes to the financial statements.

ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Rockcastle County Board of Education (“Board”), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Rockcastle County Board of Education (“District”). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100-Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the Rockcastle County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Blended Component Unit

The Board authorized establishment of the Rockcastle County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Rockcastle County Board of Education.

Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. Within the General Fund, a permanent fund was established from a gift to the Rockcastle High School for scholarships the benefit of students seeking a college degree. This is always a major fund of the District.

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. KDE requires this fund to be a major fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(C) Student Activities Fund

The Student Activities Fund accounts are used to support co-curricular activities, and are raised and expended by student groups. These funds are subject to “Redbook”.

(D) Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).

SEEK Capital Outlay Fund

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects as identified in the District’s facility plan.

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building taxlevy that is required to participate in the School Facilities Construction Commission’s construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District’s facility plan. This is a major fund of the District.

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

(E) Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the District.

The District applies all GASB pronouncements to proprietary funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

statements. Government-wide financial statements are prepared using the accrual basis of

accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchangetransactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Unearned revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement the revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

Prepaid Assets

Payments made that will benefit periods beyond the end of the current fiscal year are recorded as

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the government activities column of the government-wide financial statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

Land and construction in progress are not depreciated. The other property, plant and equipment of the district are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgment, the noncurrent portion of financed purchases, accumulated sick leave, contractually required pension and OPEB contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of the accumulated sick leave.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted:	Legally restricted under legislation, bond authority, or grantor contract.
Committed:	Commitments of future funds for specific purposes passed by the Board.
Assigned:	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned:	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted, committed, and assigned resources first, then unassigned resources as they are needed.

Net Position

The Statement of Net Position presents the reporting entity’s non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position is reported in three categories:

1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District’s policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed for the year ended June 30, 2025, to finance the General Fund operations were \$.438 per \$100 valuation of real property, \$.438 per \$100 valuation for business personal property and \$.483 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The amounts of such services and donated commodities are recorded in the accompanying financial statements at their estimated fair market values.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Interfund Transfers

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows – contributions to the CERS's pension and OPEB plans after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until the appropriate period. The District reports two types of deferred inflows related to the net difference projected and actual earnings on pension and OPEB plan investments.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("TRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than OPEBs (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS), and the County Retirement System of Kentucky (CERS), and additions to/deductions from TRS's/CERS's fiduciary net position have been determined on the same basis as they are reported by TRS/CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Bond and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

The process of preparing financial statements in conformity accounting principles generally accepted in the United States of America requires District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenditures, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

Recent GASB Pronouncements

GASB Statement No. 101, *Compensated Absences*, effective for the District's year ended June 30, 2025

GASB Statement No. 102, *Certain Risk Disclosures*, effective for the Districts year ended June 30, 2025

GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for the Districts year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for the Districts year ended June 30, 2025

The impact of these pronouncements on the District's financial statement has not been determined

NOTE B – CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240(4), having a current quoted market value at least equal to uninsured deposits.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$11,701,927. The bank balance for the same time was \$11,196,303.

The General Fund had \$2,525,698 in certificates of deposit at June 30, 2025 to maximize interest earned for the fund and the Construction Fund had \$500,000 in certificates of deposit to maximize interest earned for the fund. Non-negotiable certificates of deposit are stated at cost which approximates fair value.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK/Building) Fund, special Revenue (Grant Fund), Debt Service Fund, School Construction Fund, School Food Service Fund, and School Activity Fund.

NOTE C – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>July 1, 2024</u>		<u>Additions</u>		<u>Deductions</u>		<u>June 30, 2025</u>
Land	\$ 658,955	\$	1,625,000	\$	-	\$	2,283,955
Land improvements	1,197,944		1,098,688		-		2,296,632
Buildings	49,796,034		-		-		49,796,034
Technology equipment	958,997		-		-		958,997
Vehicles	5,720,696		446,397		-		6,167,093
General equipment	511,300		-		-		511,300
Construction in progress	6,089,634		11,759,234		1,098,688		16,750,180
	<u>\$ 64,933,560</u>	\$	<u>14,929,319</u>	\$	<u>1,098,688</u>	\$	<u>78,764,191</u>
Land improvements	\$ 1,117,612	\$	4,326	\$	-	\$	1,121,938
Buildings	24,696,549		853,757		-		25,550,305
Technology equipment	960,875		-		-		960,875
Vehicles	4,329,338		235,048		-		4,564,386
General equipment	384,445		16,658		-		401,103
	<u>\$ 31,488,819</u>	\$	<u>1,109,788</u>	\$	<u>-</u>	\$	<u>32,598,607</u>
Capital Assets-net	<u>\$ 33,444,741</u>	\$	<u>13,819,531</u>	\$	<u>1,098,688</u>	\$	<u>46,165,584</u>
	<u>July 1, 2024</u>		<u>Additions</u>		<u>Deductions</u>		<u>June 30, 2025</u>
Buildings	\$ 880,926	\$	-	\$	-	\$	880,926
Technology equipment	35,760		-		-		35,760
General equipment	647,422		-		-		647,422
	<u>\$ 1,564,109</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>1,564,109</u>
Buildings	584,682		15,089		-		599,771
Technology equipment	35,708		-		-		35,708
General equipment	530,132		13,914		-		544,046
	<u>\$ 1,150,522</u>	\$	<u>29,003</u>	\$	<u>-</u>	\$	<u>1,179,525</u>
Capital Assets-net	<u>\$ 413,586</u>	\$	<u>(29,003)</u>	\$	<u>-</u>	\$	<u>384,584</u>

Depreciation expense was not allocated to governmental functions.

NOTE D – DEBT OBLIGATIONS

Bonds

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Rockcastle County School District Finance Corporation.

The District, through the General Fund (including utility taxes), Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Rockcastle County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2025 are summarized below:

<u>Bond Issues</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Bonds Outstanding</u>			<u>Bonds Outstanding</u>
				<u>June 30, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2025</u>
2015	\$ 655,000	8/1/35	3.25%	\$ 440,000	\$ -	\$ 30,000	\$ 410,000
2015R	\$ 1,015,000	8/1/2026	0	350,000		125,000	225,000
2018	\$ 6,530,000	2/1/30	3.0 - 3.375%	5,655,000		270,000	5,385,000
2016	\$ 500,000	5/1/2036	2.6%	330,000		25,000	305,000
2021	\$ 3,870,000	8/1/2040	2.0 - 4.0%	3,510,000		115,000	3,395,000
2023	\$ 779,000	12/1/2043	5.00%	779,000		24,000	755,000
2024A	\$ 16,000,000	3/1/2049	4.00 - 5.00%		16,000,000	100,000	15,900,000
2024B	\$ 27,640,000.00	3/1/2044	4.00 - 5.00%		27,640,000	960,000	26,680,000
				11,064,000	43,640,000	1,649,000	53,055,000
Addition (Less):	(Discount)/Premium			131,608	1,193,235	73,619	1,251,224
Totals				\$ 11,195,608	\$ 44,833,235	\$ 1,722,619	\$ 54,306,224

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2025 for debt service, (principal and interest) are as follows:

<u>Fiscal Year Ended at June 30,</u>	<u>Principal</u>		<u>Interest</u>		<u>Principal</u>		<u>Interest</u>	
	<u>Local</u>	<u>KSFCC</u>	<u>Local</u>	<u>KSFCC</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
2026	\$ 591,638	\$ 673,362	\$ 1,408,439	\$ 864,418	\$ 1,265,000	\$ 2,272,858		
2027	1,532,545	693,455	1,265,997	827,544	2,226,000	2,093,141		
2028	1,602,816	685,184	1,206,335	789,190	2,288,000	1,995,525		
2029	1,671,519	717,481	1,143,815	748,265	2,389,000	1,892,080		
2030	1,749,931	746,069	1,078,799	705,348	2,496,000	1,784,147		
2031-2035	8,869,480	4,323,520	4,431,267	2,812,953	13,193,000	7,244,220		
2036-2040	9,344,639	4,873,361	3,006,315	1,557,329	14,218,000	4,563,645		
2041-2044	6,836,868	4,418,132	1,219,781	449,169	11,255,000	1,668,950		
2045-2049	3,725,000	-	459,000	-	3,725,000	459,000		
	\$ 35,924,436	\$ 17,130,564	\$ 15,219,348	\$ 8,754,216	\$ 53,055,000	\$ 23,973,565		

Accumulated Sick Leave

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. The activity during fiscal year 2025 for accumulated sick leave is as follows:

	2024	Additions	Retirement	2025
	Outstanding			Outstanding
Sick Leave	\$ 157,855	\$ 170,083	\$ -	\$ 327,938

Net Pension & OPEB Liability

The changes in net pension and net OPEB liabilities is below

	2024	Additions	Retirements	2025
Description	Outstanding			Outstanding
Net Pension Liability	8,424,138	13,235	-	8,437,373
Net OPEB Liability	3,719,111	328,451	-	4,047,562
Totals	12,143,249	341,686	-	12,484,935

NOTE E – RETIREMENT PLANS

The District’s employees are provided with two pension plans, based on each position’s college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. As of April 1, 2022, Kentucky Revised Statute (“KRS”) Section 78.782 shifted the governance of CERS to a separate Board of Trustees of the County Employees Retirement System. The CERS Board manages the CERS trust, including investment management. KPPA provides the day-to-day administration (KRS 61.505) for accounting and benefit administration for CERS. The Kentucky General Assembly has the authority to establish and amend benefit provisions. The Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	
Participation date	Before September 1, 2008

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Unreduced retirement	27 years of service or 65 years old
Reduced retirement	At least 5 years of service and 55 years old At least 25 years of service and any age
Tier 2	
Participation date	September 1, 2008 – December 31, 2013
Unreduced retirement	At least 5 years of service and 65 years old Or age 57+ and the sum of service years plus age equal 87
Reduced retirement	At least 10 years of service and 60 years old
Tier 3	
Participation date	After December 31, 2013
Unreduced retirement	At least 5 years of service and 65 years old Or age 57+ and the sum of service years plus age equal 87
Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. In 2013, the General Assembly established funding status thresholds which must be achieved before another COLA can be awarded to retirees. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both these components.

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits.

Employer Contributions – For the year ended June 30, 2025, employer contributions were established by the County Employees Retirement Systems in December 2022. The governing Board establishes employer contribution rates based on the annual actuarial valuation completed in November each year for the fiscal year beginning the following July 1. For fiscal year 2025, the employer contribution rate for CERS nonhazardous pensions was 19.71%. In fiscal year 2024, these rates were 23.34%. (See NOTE F for additional rate information for the OPEB plans.)

Employee Contributions – Required contributions by the employee are based on the tier:

	<u>NonHazardous</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

General information about the Teachers’ Retirement System of the State of Kentucky (“TRS of Ky”)

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers’ Retirement System of the State of Kentucky (TRS of Ky)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS of Ky was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS of Ky is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. TRS of Ky issues a separate publicly available financial report that can be obtained from the TRS of Ky website, at <https://trs.ky.gov/administration/financial-reports-information/>.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Benefits provided—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years.

New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation.

Effective July 1, 2008, the System was amended to change the benefit structure for employees hired on or after that date. Members hired after July 1, 2008, must complete 27 years of service, attain age 60 and 5 years of service, or attain age 55 and 10 years of service. The annual retirement allowance for members hired after July 1, 2008, is 1.7% for 10 years or less of service; 2.0% for 10 -20 years; 2.3% for 20 – 26 years; 2.5% for 26 – 30 years; or 3.0% for more than 30 years of service. The annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

In 2021, the Kentucky General Assembly added a fourth tier to the TRS System. Members hired on or after January 1, 2022, will be eligible for a combined defined benefit and defined contribution plan. The defined benefit portion is based on length of service, final average salary, a multiplier, and the annuity option selected by the member. The defined contribution benefit portion (supplemental benefit) is determined by an account balance funded by mandatory and voluntary contributions and the payment options selected by the member.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS of Ky also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

TRS provides disability retirement allowance for members who are totally and permanently disabled after completing at least 5 years of service, but less than 27 years. The disability allowance is equal to 60% of the member's final average salary, payable over an entitlement period equal to 25% of the service credited to the member at the date of disability or five years, whichever is longer. If the member is still disabled after the end of the entitlement period, the member receives a service retirement allowance, including additional service credit for the period of disability retirement. This extended allowance will not be less than \$6,000 and is not reduced for retirement prior to age 60 or completion of 27 years of service.

TRS provides a death benefit to a surviving spouse of an active member with less than 10 years of service. This benefit is \$2,880 per year unless the spouse has income from other sources that exceed \$6,600 which will reduce this death benefit to \$2,160 per year. A surviving spouse of an active member with 10 or more years of service is eligible for a death benefit

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

actuarially equivalent to the allowance that the member would have received upon retirement. This benefit will commence on the date the deceased member would have been eligible for the service retirement and is payable during the life of the spouse. Additional benefits are provided for unmarried children under age 18 who are also survivors of the deceased member.

If an employee terminates covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Tiers 1, 2, and 3 non-university employees are required to contribute 9.105% of their salaries to the System for pension benefits. (See OPEB discussion for additional contribution rates.) The mandatory pension contribution for Tier 4 non-university employees hired on or after January 1, 2022, is 11%. Employer rates for Tiers 1 and 2 in FY 2025 were 31.95% and Tier 3 were 32.195 (only paid by the Commonwealth of Kentucky as on-behalf payments). Employer rates for Tiers 1 and 2 in FY 2024 were 30.855% and Tier 3 were 31.855%. Employer (only Commonwealth of Kentucky) rates for Tier 4 in FY 2025 were 9.920% and in FY 2024 were 10.0%. 2% of the Tier 4 employee and employer contributions is allocated to the supplemental benefit (defined contribution portion of Tier 4). Those employees may also voluntarily contribute an additional amount, not to exceed the earnings on a paycheck. (See OPEB NOTE F for additional contribution rates.)

In 2019, the Kentucky General Assembly increased the employer contribution in the state's biennial budgets to reflect the actuarially determined rates, less the employee contribution. The current funding policy requires appropriations that are the sum of the fixed employer contribution rate set by state law and an additional amount to provide an actuarial determined employer contribution. The pension portion of the statutory (KRS 161.550) contributions for the state (as a non-employer contributing entity) are as follows:

- 12.355% for non-university members who joined prior to July 1, 2008
- 13.355% for non-university members who joined after July 1, 2008, but prior to January 1, 2022
- 9.775% for non-university members who joined after January 1, 2022, with 7.775% to the foundational benefit and 2% to the supplemental benefit.
- 16.105% for non-university employers with members in Tier 1 and Tier 2
- 17.105% for non-university employers with members in Tier 3
- 9.775% for non-university employers with members in Tier 4, with 7.775% to the foundational benefit and 2% to the supplemental benefit.
- See OPEB Note Q for additional contribution rates.

The required increase to bring employer rates to the amount required for full actuarial funding are being phased in over a five-year period from the 2021 valuation to the 2026 valuation. The 2022 valuation required an increase of 18.920% for Tiers 1, 2, and 3 while actual rates included 15.09% increase for the phase-in to full funding. The 2021 valuation required 16.180% while actual rates included 14.75% for the phase-in to full funding. The 2022 Valuation was used to determine these rates for the state's 2025 fiscal year.

The TRS Board is required to present the actuarially determined annual retirement appropriations payable by the state

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for Tiers 1, 2, and 3. Tier 4 is a defined contribution tier and does not require amortization of an unfunded liability. This actuarially determined rate is based on an actuarial analysis that is based on a valuation using the following:

- Entry Age Normal actuarial cost method;
- Five-year asset smoothing method;
- 30-year closed amortization period that began fiscal year 2014 to determine the minimum payment which cannot be less than the prior year until the plan reaches a 100% funded ratio;
- 20-year amortization of new sources of unfunded liability; and
- Achieving a 100% funding ratio with the closed period adopted by the Board.

In addition, the State’s General Assembly may provide additional contributions to reduce the TRS unfunded liability. The state contributed an additional \$479 million in fiscal year 2022, but no additional amounts were contributed in fiscal years 2023 and 2024. These additional contributions are not required by statute and are not included in the actuarial projection of future employer contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District’s proportionate share of the net pension liability for TRS of Ky because the Commonwealth of Kentucky provides the pension support directly to TRS of Ky on behalf of the District in a special funding situation.

The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$8,752,589
Commonwealth's proportionate share of TRS of Ky net pension liability associated with the District	<u>56,953,991</u>
Total	<u>\$ 65,706,580</u>

The net pension liability for each plan was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District’s proportion of the net pension liability for CERS was based on the actuarial liability of the employees and former employees relative to the total liability of the System as determined by the actuary. For the year ended June 30, 2025, the District’s proportion was 0.032253 percent. For the year ended June 30, 2025, the District recognized a decrease in pension expense of \$304,469 related to CERS and expense of \$3,701,821 related to TRS of Ky. The District also recognized on-behalf revenue of \$3,701,821 for TRS of Ky support provided by the Commonwealth paid directly to TRS of Ky.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience experience	\$ 423,641	\$	
Changes of assumptions			395,445
Net difference between projected and actual earnings on pension plan investments	601,106		1,163,850
Changes in proportion and differences between District contributions and proportionate share of contributions	446,508		351,146
District contributions subsequent to the measurement date	<u>962,465</u>		
	\$ <u>2,433,720</u>	\$	<u>1,910,441</u>

\$962,465 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30,</u>
2025	\$ (123,364)
2026	25,917
2027	(216,325)
2028	<u>(125,414)</u>
	\$ <u>(439,186)</u>

Actuarial assumptions - The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

For CERS, mortality tables used for non-hazardous retired members was a system-specific mortality table based on mortality experience from 2013 to 2022, for the non-hazardous system, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2023. Mortality for active non-hazardous members was based on the PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

CERS TRS of Ky

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Inflation	2.50%	2.50%
Payroll growth rate	2.00%	N/A
Cost-of-living adjustment	0.0%	1.5%
Salary Increases	3.30% - 10.30%	3.0-7.5%
Investment rate of return	6.50%	7.10%
Municipal Bond Index Rate	N/A	3.94%
Single Equivalent Interest Rate	6.50%	7.10%

For TRS of Ky, mortality rates were based on the Pub2010 (Teachers Benefit-Weighted Mortality Table projected generationally with MP-2020 and various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years, at a minimum. The most recent experience study was based on experience through June 30, 2022 and adopted by the CERS Board of Trustees on May 9, 2023. In 2024, the CERS Actuarial Committee requested an update on the key economic assumptions to evaluate these assumptions for the 2024 evaluation. GRS relied on capital market assumptions, CERS 2024 investment policy for the target asset allocation, and changes to investment consultants assumptions based on 2024 market conditions to develop recommended assumptions for inflation, investment returns, and payroll growth. The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized the table below. The current long-term inflation assumption is 2.3% per annum for the non-hazardous plan.

	Target	Long-Term Expected
<u>Asset Class</u>	<u>Allocation</u>	<u>Real Rate of Return</u>
Equity:	60.00%	
Public Equity	50.00%	4.15%
Private Credit	10.00%	9.10%
Fixed Income:	20.00%	
Core Bonds	10.00%	2.85%
High Yield Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected:	20.00%	
Real Estate	7.00%	4.90%
Real Return	<u>13.00%</u>	5.35%
Total	<u>100.00%</u>	
Expected Real Return		4.69%
Long Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		<u>7.19%</u>

For TRS of Ky, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS of Ky's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	Long-Term <u>Expected Real Rate of Return</u>
Large Cap U.S. Equity	35.40%	5.00%
Small Cap U.S. Equity	2.60%	5.50%
Developed International Equity	15.70%	5.50%
Emerging Markets Equity	5.30%	6.10%
Fixed Income	15.00%	1.90%
High Yield Bonds	2.00%	3.80%
Other Additional Categories	8.00%	3.60%
Real Estate	7.00%	3.20%
Private Equity	7.00%	8.00%
Cash	<u>2.00%</u>	1.60%
Total	<u>100.00%</u>	

Discount rate—For CERS, the discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS of Ky, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. The actuary assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of CERS and TRS of Ky proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.50%	6.50%	7.50%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of net pension liability	\$	11,283,518	\$	8,752,589	\$	6,652,586
KTRS		6.10%		7.10%		8.10%
Commonwealth's proportionate share of net pension liability	\$	23,879,368	\$	56,953,991	\$	13,699,268

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of both CERS and TRS of Ky.

Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, was amended by GASBS No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The GASB standards allow entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities for these defined contribution plans from their financial statements. The District therefore does not show these assets and liabilities in this financial statement.

NOTE F – OTHER POST-EMPLOYMENT BENEFIT PLANS

The District’s employees are provided with two OPEB plans, based on each position’s college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Teachers Retirement System of Kentucky (TRS of Ky) covers positions requiring teaching certification or otherwise requiring a college degree. Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advance funded on an actuarially determined basis through the CERS and TRS of Ky plans. The CERS governance structure discussed in NOTE 6 for pension plan governance also applies to the CERS OPEB plans. The Kentucky Public Pensions Authority’s publicly available financial report includes the CERS OPEB plan reports and may be obtained from <https://www.kyret.ky.gov/Publications/Pages/Actuarial-Valuations.aspx>. TRS of Ky issues a publicly available financial report that can be obtained at <https://trs.ky.gov/administration/financial-reports-information/>.

CERS Other Postemployment Benefits

Plan Description— All District employees participating in CERS are provided benefits through the nonhazardous plan. CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, CERS pays a percentage of the monthly contribution rate for insurance covered based on the retired member’s years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member’s health insurance premium.

Benefits Provided—Percentage of premium subsidies ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the CERS health plans. Members who began participating with CERS on or after September 1, 2008, must have 180

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

months of service upon retirement to participate in the CERS health plans. Non- hazardous retirees receive \$10 toward the monthly premium for each full year of service.

Contributions—CERS allocates a portion of the employer contributions to the health insurance benefit plans. Beginning with the 2023 measurement, the CERS nonhazardous OPEB plan was over funded and employer contributions were decreased to zero. CERS allocated 0.0% in FY 2025 and FY 2024 for the actuarially required contribution rate paid by employers for funding the nonhazardous healthcare benefit. In addition, 1% of the Tier 2 and 3 employee contributions are allocated to the health insurance plan for nonhazardous plans.

CERS OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2025, the District reported an asset of \$253,399 for its proportionate share of the CERS collective net OPEB asset. The collective net OPEB asset was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB asset was based on a projection of the District’s long-term share of contributions to OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2025, the District’s proportion was 0.146490 percent. The District recognized a negative OPEB expense of \$1,050,911 as the OPEB asset increased and the related deferred inflows of resources and deferred outflows of resources decreased.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 140,583	\$	1,993,748
Changes of assumptions	229,610		178,799
Net difference between projected and actual earnings on pension plan investments	222,744		453,985
Changes in proportion and differences between District contributions and proportionate share of contributions	257,480		225,959
District contributions subsequent to the measurement date	<u>68,689</u>		
	\$ <u>919,106</u>	\$	<u>2,852,491</u>

No District contributions subsequent to the measurement date were reported in deferred outflows since the plan is overfunded and no employer contributions will be assessed until the funded status declines.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		<u>Year Ended June 30,</u>
2025	\$	(833,464)
2026		(617,118)
2027		(510,555)
2028		<u>(40,938)</u>
	\$	<u><u>(2,002,075)</u></u>

Actuarial assumptions – The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30% - 10.30%, for non-hazardous, depending on years of service
Inflation rate	2.50%
Healthcare cost trend rates:	
Under 65	Initial trend rate starts at 7.1%, January 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years
Ages 65 and Older	Initial trend starting at 8.0%, January 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years
Municipal Bond Index Rat	3.97%
Discount Rate	5.99% non-hazardous

Post-retirement mortality rates (non-disabled) used a system-specific mortality table based on mortality experience from 2013 – 2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience for the period ending June 30, 2022 and adopted by the CERS Board of Trustees on May 9, 2023. The investment return, price inflation, and payroll growth assumption were adopted by the Board in May 2024 for use with the June 30, 2024 valuation to reflect future economic expectations.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years, at a minimum. The most recent analysis was based on a review of recent plan experience for the period ending June 30, 2022 and adopted by the CERS Board of Trustees on May 9, 2023. The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized the table below. The current long-term inflation assumption is 2.3% per annum for the nonhazardous plan.

	Target	Long-Term Expected
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Asset Class</u>	<u>Allocation</u>	<u>Real Rate of Return</u>
Equity:		60.00%	
	Public Equity	50.00%	4.15%
	Private Credit	10.00%	9.10%
Fixed Income:		20.00%	
	Core Bonds	10.00%	2.85%
	High Yield Credit	10.00%	3.82%
	Cash	0.00%	1.70%
Inflation Protected:		20.00%	
	Real Estate	7.00%	4.90%
	Real Return	<u>13.00%</u>	5.35%
	Total	<u>100.00%</u>	
Expected Real Return			4.69%
Long Term Inflation Assumption			<u>2.50%</u>
Expected Nominal Return for Portfolio			<u>7.19%</u>

Discount rate – The single discount rate of 5.99% for CERS nonhazardous was used to measure the total OPEB liability as of June 30, 2024. The Single discount rate is based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2024. Future contributions are projected in accordance with the current funding policy mandated in Ky Revised Statutes 61.565, as amended, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (the Kentucky General Assembly reset the amortization period to 30 years in 2020) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system.

However, the cost associated with the implicit employer subsidy for non-Medicare retirees is not currently included in the calculation of the System’s actuarial determined contributions and any cost associated with the implicit subsidy is not paid out of the System’s trust. The implicit rate subsidy is paid by the Commonwealth of Kentucky self-insurance fund, Kentucky Employees Health Plan. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.99%, as well as what the District’s proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99%) or 1-percentage-point higher (6.99%) than the current rate:

1% Decrease	Current Discount Rate	1% Increase
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CERS		4.99%		5.99%		6.99%
District's proportionate share of net OPEB liability	\$	342,624	\$	(253,399)	\$	(754,535)

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ (609,646)	\$ (253,399)	\$ 161,605

The Kentucky Public Pensions Authority's publicly available financial report includes financial reports for the CERS OPEB plans and may be obtained from <https://www.kyret.ky.gov/Publications/Pages/Actuarial-Valuations.aspx>.

TRS of Ky POST-EMPLOYMENT HEALTH CARE BENEFITS

The Commonwealth of Kentucky (State) reports a liability, deferred outflows of resources and deferred inflows of resources, and expense based on the statutory requirement to contribute to the TRS of Ky Medical Insurance and Life Insurance Plans in a special funding situation for local school districts. Local school districts include a proportionate share of the liability, deferred outflows of resources and deferred inflows of resources, and expenses for the cost-sharing medical insurance plan.

Plan description—In addition to the pension benefits described in NOTE 6, KRS 161.675 requires TRS of Ky to provide post-employment healthcare benefits to eligible employees and dependents. The TRS of Ky Medical Insurance Fund is a cost-sharing multiple-employer defined benefit plan. Changes made to the medical plan may be made by the TRS of Ky Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits Provided—To be eligible for medical benefits, the member must have retired either for service or disability. The TRS of Ky Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS of Ky Medicare Eligible Health Plan.

Contributions—KRS 161.540 requires non-university members to contribute 3.75% to fund the post-retirement healthcare benefit, including members in Tier 4 hired after January 1, 2022. The Commonwealth of Kentucky contributes three quarters percent (.75%) from a state appropriation and local school district employers contribute three percent (3.00%). Contributions are based on statutory provisions, not an actuarially determined contribution rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

TRS of Ky OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2025, the District reported a liability of \$3,963,000 for its proportionate share of the collective net OPEB liability for medical insurance. The collective net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was .054393 percent.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of KTRS net OPEB liability	\$	3,963,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		3,531,000
	\$	7,494,000

For the year ended June 30, 2025, the District recognized a decrease in OPEB expense of \$868,192.

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$		\$ 1,190,000
Changes of assumptions		1,009,000	
Net difference between projected and actual earnings on pension plan investments			127,000
Changes in proportion and differences between District contributions and proportionate share of contributions		1,234,000	1,990,000
District contributions subsequent to the measurement date		682,264	
	\$	2,925,264	\$ 3,307,000

Of the total amount reported as deferred outflows of resources related to OPEB, \$682,264 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2025.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Year Ended June 30,</u>	
2026	\$	(355,000)
2027		(67,000)
2028		(104,000)
2029		(259,000)
2030		(245,000)
Thereafter		<u>(34,000)</u>
	\$	<u><u>(1,064,000)</u></u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

Actuarial assumptions – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Long-term investment rate of return	7.1%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 – 7.50%, including inflation
Inflation rate	2.50%
Wage Inflation	2.75%
Single Equivalent Interest Rate	7.10%, net of OPEB Plan investment expense, including inflation
Healthcare cost trend rates	
Medical Trend	6.50% for FYE 2024 decreasing to an ultimate rate of 4.50% by FY 2031
Medicare Part B Premiums	5.92% for FYE 2024 with an ultimate rate of 4.50% by 2035

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the in the June 30, 2024 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2024 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2024 valuation. The health care cost trend assumption was updated for the June 30, 2023 valuation and was show as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2024 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2024 valuation. The health care cost trend assumption was updated for the June 30, 2023 valuation and was show as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	35.40%	5.00%
Small Cap U.S. Equity	2.60%	5.50%
Developed International Equity	15.70%	5.50%
Emerging Markets Equity	5.30%	6.10%
Fixed Income	15.00%	1.90%
High Yield Bonds	2.00%	3.80%
Other Additional Categories	8.00%	3.60%
Real Estate	7.00%	3.20%
Private Equity	7.00%	8.00%
Cash	<u>2.00%</u>	1.60%
Total	<u>100.00%</u>	

Discount rate - The discount rate used to measure the total health care OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2023. In addition to the actuarial methods and assumptions of the June 30, 2023 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%
- The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves.
- Administrative expenses, except the administrative fee of \$8 PMPM paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due and are not considered in the cash flow projections.
- Cash flows occur mid-year. Future contributions to the Health Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the Health Trust achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following Health Trust statutory contributions are to be decreased, suspended, or eliminated:
 - Employee contributions

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- School District/University Contributions
- State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010.

These adjustments were incorporated into the valuation with open group projections that assumed an equal, pro rata reduction to the current statutory amounts in the years if/when the Health Trust is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year’s valuation and in accordance with the Health Trust’s funding policy (Schedule B). As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

- Adjustments to the statutory contributions in future years were based on the following assumptions:
 - Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
 - Estimates for new entrants were based on the assumption that active headcounts would remain flat for all future years.

Based on these assumptions, the Health Trust’s fiduciary net position was projected to be sufficient to pay benefits.

The following table presents the District’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the District’s proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
KTRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 5,265,000	\$ 3,963,000	\$ 2,884,000

Sensitivity of the District’s proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District’s proportionate share of the collective net OPEB liability, as well as what the District’s proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 2,677,000	\$ 3,963,000	\$ 5,561,000

OPEB plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

TRS Life Insurance Plan

Plan description – Life Insurance Plan – TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple-employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided – TRS provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member’s estate or to a party designated by the member.

Contributions – The Commonwealth of Kentucky contributed 0.08% of salary to the Life Insurance Trust for the fiscal year ended June 30, 2025 and 0.08% for fiscal year June 30, 2024.

TRS OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2025, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of KTRS net OPEB liability	\$	
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		81,000
	\$	81,000

For the year ended June 30, 2025, the District recognized OPEB revenue and expense of \$9,846 for support provided by the State.

Actuarial assumptions – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.50%
Wage Inflation	2.75%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the in the June 30, 2024 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2024 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2024 valuation. The health care cost trend assumption was updated for the June 30, 2023 valuation and wash show as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Long-Term Expected Real

Asset Class	Target Allocation	Rate of Return
Large Cap U.S. Equity	40.0%	5.2%
Developed Internation Equity	15.0%	5.5%
Emerging Markets Equity	5.0%	6.1%
Fixed Income	21.0%	1.9%
Other Additional Categories	5.0%	4.0%
Real Estate	7.0%	3.2%
Private Equity	5.0%	8.0%
Cash	2.0%	1.6%
Total	100.0%	

Single Equivalent Interest Rate - The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2023. In addition to the actuarial methods and assumptions of the June 30, 2023 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the Life Trust's cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The employer will contribute the Statutory Contribution in accordance with the Life Trust's funding policy.
- Administrative expenses were assumed to paid in all years by the employer as they come due and are not considered in the cash flow projections.
- Active employees do not explicitly contribute to the plan.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- Cash flows occur mid-year.

Based on these assumptions, the Life Trust's fiduciary net position was projected to be sufficient to pay all benefits for all current members.

OPEB plan fiduciary net position – TRS of Ky issues a publicly available financial report that can be obtained at <https://trs.ky.gov/administration/financial-reports-information/>.

NOTE G – COMMITMENTS

The District did not have any commitments as of June 30, 2025.

NOTE H – CONTINGENCIES

The District receives funding from Federal, State and Local governmental agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction the funds provided are being spent as intended and the grantors' intent to continue their program.

NOTE I – LITIGATION

The District has no pending or threatened litigation involving amounts exceeding \$20,000 individually or in the aggregate as of June 30, 2025.

NOTE J – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, illegal acts etc. Each of these

risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include Workers' Compensation insurance.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to illegal acts, torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, unemployment, errors and omission, and general liability coverage, the District purchased commercial insurance policies.

NOTE L – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE M – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>		<u>Amount</u>	<u>Purpose</u>
General	Special Revenue	\$	54,534	KETS
Capital Outlay	General		244,910	Operating
Food Service	General		104,989	Indirect Costs
Building	Debt Service		1,165,455	Debt Payments
Building	General		1,600,000	Land Acquisition
Special	General	\$	20,235	Indirect Costs

NOTE N – ON-BEHALF PAYMENTS

For fiscal year 2025, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB Schedule A)	\$ 3,701,821
Health and Life Insurance	4,752,565
Administrative Fee	42,852
HRA/Dental/Vision	217,088
Federal Reimbursement	(310,030)
Technology	66,865
SFCC Debt Service Payments	<u>1,452,428</u>
Total	<u>\$ 9,923,588</u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

NOTE O – ADOPTION OF ACCOUNTING PRINCIPLE

The District adopted GASB 101, *Compensated Absences*, during FY 2025. This required a restatement of the beginning net position for governmental activities as follows:

Net Position June 30, 2024	\$ 21,934,217
GASB 101 Implementation	<u>(1,354,496)</u>
Restated Net Position June 30, 2024	<u>\$ 20,579,721</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE P– CORRECTION OF AN ERROR

The District had understated the cash balance in the school activity fund in the previous year. The effect of the error correction is below::

School Activity Fund Balance June 30, 2024	\$	649,542
Correction of an Error		<u>26,036</u>
Restated School Activity Fund Balance June 30, 2024	\$	<u><u>675,578</u></u>

NOTE Q– SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 30, 2026 the date the financial statements were available to be issued.

Rockcastle County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 1,660,599	1,660,599	\$ 1,448,779	\$ (211,819)
Motor vehicle	590,000	590,000	705,065	115,065
Franchise	228,655	228,655	405,929	177,274
Utilities	990,000	990,000	857,036	(132,964)
Earnings on investments	420,000	420,000	606,207	186,207
Other local revenue	137,500	137,500	1,271,869	1,134,369
Intergovernmental - state	25,544,154	25,889,985	24,423,221	(1,466,764)
Intergovernmental - federal	375,000.00	375,000	359,164	(15,836)
Total revenues	<u>29,945,908</u>	<u>30,291,739</u>	<u>30,077,271</u>	<u>(214,467)</u>
EXPENDITURES				
Instruction	18,271,382	18,405,116	16,893,908	1,511,208
Support Services				
Student	2,710,068	2,814,480	2,617,048	197,432
Instructional Staff	1,426,144	1,366,469	1,237,916	128,554
District Administration	861,000	935,217	874,670	60,547
School Administration	1,986,604	1,986,442	1,952,569	33,873
Business	516,126	515,864	492,463	23,401
Plant Operation & Maintenance	2,830,605	2,646,490	2,702,771	(56,282)
Student Transportation	2,532,144	2,813,813	2,476,566	337,247
Total expenditures	<u>31,134,074</u>	<u>31,483,893</u>	<u>29,247,912</u>	<u>2,235,980</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(1,188,166)	(1,192,154)	829,359	2,021,513
OTHER FINANCING SOURCES (USES)				
Operating transfers in	390,100	398,622	370,134	(28,488)
Operating transfers (out)	(50,000)	(54,534)	(54,534)	-
Total other financing sources and (uses)	<u>340,100</u>	<u>344,088</u>	<u>315,600</u>	<u>(28,488)</u>
NET CHANGE IN FUND BALANCE	(848,066)	(848,066)	1,144,959	1,993,025
FUND BALANCE-BEGINNING	<u>5,219,724</u>	<u>5,219,724</u>	<u>5,427,669</u>	<u>207,945</u>
FUND BALANCE-ENDING	<u>\$ 4,371,658</u>	<u>\$ 4,371,658</u>	<u>\$ 6,572,628</u>	<u>\$ 2,200,970</u>

The District budgeted \$1.2 million more for On-Behalf revenue and expense. These amounts are reflected in budget variances above.

See the accompanying notes to the financial statements.

RockcastleCounty School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Other local revenue	\$ 443,610	\$ 508,891	\$ 354,204	\$ (154,687)
Earnings on investments	-	1	40,833	40,832
Intergovernmental - state	1,781,930	1,838,813	1,738,925	(99,889)
Intergovernmental - federal	4,444,284	4,977,909	4,743,661	(234,248)
Total revenues	<u>6,669,823</u>	<u>7,325,614</u>	<u>6,877,623</u>	<u>(447,991)</u>
EXPENDITURES				
Instruction	5,354,192	5,931,982	5,445,666	486,316
Support Services				
Student	386,877	375,600	362,493	13,107
Instructional Staff	307,836	267,884	316,190	(48,306)
District Admin				
Plant Operation & Maintenance	77,594	84,394	93,782	(9,388)
Student Transportation	209,024	269,539	309,490	(39,951)
Community Services Operations	384,300	384,300	384,300	-
Total expenditures	<u>6,719,823</u>	<u>7,313,700</u>	<u>6,911,922</u>	<u>401,778</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(50,000)	11,914	(34,299)	(46,213)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	50,000	206,252	54,534	(151,718)
Operating transfers (out)			(20,235)	(20,235)
Total other financing sources and (uses)	<u>50,000</u>	<u>206,252</u>	<u>34,299</u>	<u>(171,953)</u>
NET CHANGE IN FUND BALANCE	0	218,166	-	-
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ 0</u>	<u>\$ 218,166</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CERS and TRS
For the year ended June 30, 2025

	Reporting Fiscal Year (Measurement Date) 2025 (2024)	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:										
Districts' proportion of the net pension liability (asset)	0.14649%	0.15402%	0.13254%	0.14470%	0.15957%	0.15375%	0.16017%	0.16477%	0.16767%	0.16939%
District's proportionate share of the net pension liability (asset)	8,752,589	\$ 9,882,835	\$ 9,581,118	\$ 9,225,441	\$ 11,382,311	\$ 10,813,025	\$ 9,754,841	\$ 9,644,436	\$ 8,255,576	\$ 7,283,086
State's proportionate share of the net pension liability (asset) associated with the District	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 8,752,589</u>	<u>\$ 9,882,835</u>	<u>\$ 9,581,118</u>	<u>\$ 9,225,441</u>	<u>\$ 11,382,311</u>	<u>\$ 10,813,025</u>	<u>\$ 9,754,841</u>	<u>\$ 9,644,436</u>	<u>\$ 8,255,576</u>	<u>\$ 7,283,086</u>
District's covered-employee payroll	\$ 4,594,431	\$ 8,842,087	\$ 4,558,462	\$ 3,666,125	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000	\$ 4,017,598	\$ 3,999,811	\$ 3,952,293
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	190.50%	111.77%	210.18%	251.64%	299.43%	302.35%	245.53%	240.05%	206.40%	184.27%
Plan fiduciary net position as a percentage of the total pension liability (asset)	61.61%	57.68%	52.00%	57.33%	47.81%	50.54%	53.40%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:										
Districts' proportion of the net pension liability (asset)	0.346%	0.367%	0.372%	0.365%	0.380%	0.380%	0.388%	0.393%	0.395%	0.392%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	56,953,991	62,483,558	62,977,614	47,489,597	52,971,915	51,873,848	50,850,207	105,942,079	116,532,506	91,110,678
Total	<u>\$ 56,953,991</u>	<u>\$ 62,483,558</u>	<u>\$ 62,977,614</u>	<u>\$ 47,489,597</u>	<u>\$ 52,971,915</u>	<u>\$ 51,873,848</u>	<u>\$ 50,850,207</u>	<u>\$ 105,942,079</u>	<u>\$ 116,532,506</u>	<u>\$ 91,110,678</u>
District's covered-employee payroll	\$ 15,209,889	\$ 14,144,487	\$ 14,016,535	\$ 13,424,746	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599	\$ 12,940,309	\$ 12,485,277
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability (asset)	60.36%	57.70%	56.40%	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
CERS and TRS
For the year ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:										
Contractually required contribution	\$ 962,465	\$ 1,046,189	\$ 834,876	\$ 990,300	\$ 889,228	\$ 861,730	\$ 799,218	\$ 728,252	\$ 750,487	\$ 682,368
Contributions in relation to the contractually required contribution	<u>962,465</u>	<u>1,046,189</u>	<u>834,876</u>	<u>990,300</u>	<u>889,228</u>	<u>861,730</u>	<u>799,218</u>	<u>728,252</u>	<u>\$ 750,487</u>	<u>\$ 682,368</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 4,594,431	\$ 8,842,087	\$ 4,558,462	\$ 3,666,125	\$ 3,695,874	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000	\$ 4,017,598	\$ 3,999,811
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	20.95%	11.83%	18.31%	27.01%	24.06%	22.67%	22.35%	18.33%	18.68%	17.06%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:										
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 15,209,889	\$ 14,144,487	\$ 14,016,535	\$ 13,424,746	\$ 12,859,956	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599	\$ 12,940,309
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the accompanying notes to the required supplementary information.

**ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSIONS**

For the Year ended June 30, 2025

COUNTY EMPLOYEES RETIREMENT SYSTEM:

The actuarially determined contribution rates are determined on an annual basis using the actuarial valuation conducted two years prior to the year in which the contribution will be assessed.

2023 Changes of Assumptions - The inflation rate was increased to 2.5% and the investment rate of return was increased to 6.5%. The system mortality table was revised to MP-2020 and the base year was changed to 2023.

2020 Changes of Assumptions –The amortization period for the unfunded liability was reset as of June 30, 2019, to a closed 30-year period.

2019 Changes of Assumptions – The 2019 actuarial valuation used updated mortality tables for all categories of members and beneficiaries and a system-specific mortality table for non-disabled retirees. In 2019, mortality rates for active members were based on the PUB-2010 General Mortality table, for the nonhazardous members projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality rates (non-disabled) used a system-specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The PUB-2010 Disabled Mortality Table is used for post-retirement mortality for disabled retirees with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Previous valuations were based on RP-2000 Combined Mortality Tables.

2017 Changes of Assumptions – For the 2017 actuarial valuation, several key actuarial assumptions were revised. Changes in assumptions prior to 2016 provided minor adjustments to the actuarial measurements. The following table outlines the actuarial methods and assumptions that were used in 2019 and 2016 to determine contribution rates reported for all systems:

Assumption	2017 Valuation	2016 Valuation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level of Percentage of Payroll, closed	Level of Percentage of Payroll, closed
Remaining Amortization Period	26 Years	27 Years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Post-retirement benefit adjustments	0.00%	0.00%
Inflation	2.30%	3.25%
Salary Increase	3.3% to 11.55% varies by service), average, including Inflation	4% , average, including Inflation
Investment Rate of Return	6.25% , Net of Pension Plan Investment Expense, including Inflation	7.5% , Net of Pension Plan Investment Expense, including Inflation

Changes of Benefit Terms -

2014: A cash balance plan was introduced for member whose participation date begins on or after January 1, 2014

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSIONS
For the Year ended June 30, 2025

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

2023 – No changes to benefits or assumptions

2022 Changes of Benefit Terms – A new benefit tier was added for members joining TRS on and after January 1, 2022. Tier 4 includes a foundational benefit (defined benefit) and a supplemental benefit (defined contribution). The foundational benefit changes the condition for retirement to attainment of age 57 and 10 years of service or age 65 and 5 years of service. Members hired before July 1, 2008, were eligible for retirement with 27 years of service or at age 55 with 5 years of service. Members hired after July 1, 2008, but before January 1, 2022, were eligible with 27 years of service, or at age 50 with 5 years of service, or at age 55 with 10 years of service. Multipliers based on service are slightly higher for Tier 4 members.

The supplemental benefit is based on an account balance that includes member and employer contributions plus interest credited annually on June 30. Tier 4 members may opt for an annuitized or lump sum distribution.

2022 Changes of Assumptions – The 2020 experience study was used to adjust rates of withdrawal, retirement, disability, mortality, and rates of salary increases to reflect actual experience more closely. The expectation of mortality was changed to the Pub 2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3.00% to 2.50%. In addition, the calculation of SEIR results in an assumption change from 7.50% to 7.10%.

2018 Changes of Assumptions – The 2018 actuarial analysis for TRS of Ky indicated that cash flow for the system would be sufficient to pay benefits in all periods. As a result, the discount rate for the 2018 study was the same as the long-term expected yield of 7.5%. In 2017, the analysis used a blended rate of 4.49% which included the application of the municipal bond index to periods after 2038. The actuarial gains for this change will be recognized over the average remaining service lives for active members (10.6 years for the 2020 valuation) and are creating negative pension expense for the TRS pension system.

2017 Changes of Assumptions – The Single Equivalent Interest Rate was increased from 4.20% to 4.49%.

2016 Changes of Assumptions – The Single Equivalent Interest Rate was decreased from 4.88% to 4.20%. Rates of withdrawal, retirement, disability and mortality were adjusted based on an experience study conducted in 2015. The Assumed Salary Scale, Price Inflation, and Wage Inflation were also decreased.

2015 Changes of Assumptions – The Single Equivalent Interest Rate was decreased from 5.23% to 4.88%

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM
For the year ended June 30, 2025

	Reporting Fiscal Year (Measurement Date) 2025 (2024)	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
MEDICAL INSURANCE PLAN								
Districts' proportion of the net OPEB liability (asset)	0.05439%	0.19301%	0.27003%	0.19601%	0.20180%	0.20427%	0.20194%	0.20862%
District's proportionate share of the net OPEB liability (asset)	\$ 3,963,000	\$ 4,701,000	\$ 6,704,000	\$ 4,206,000	\$ 5,093,000	\$ 5,979,000	\$ 7,007,000	\$ 7,439,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>3,531,000</u>	<u>3,962,000</u>	<u>2,202,000</u>	<u>3,416,000</u>	<u>4,080,000</u>	<u>4,828,000</u>	<u>6,038,000</u>	<u>6,076,000</u>
Total	<u>\$ 7,494,000</u>	<u>\$ 8,663,000</u>	<u>\$ 8,906,000</u>	<u>\$ 7,622,000</u>	<u>\$ 9,173,000</u>	<u>\$ 10,807,000</u>	<u>\$ 13,045,000</u>	<u>\$ 13,515,000</u>
District's covered-employee payroll	\$ 15,209,889	\$ 14,144,487	\$ 14,016,535	\$ 13,424,746	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	26.06%	33.24%	47.83%	31.33%	39.41%	46.60%	53.78%	57.55%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	59.81%	52.97%	47.75%	51.74%	39.10%	32.60%	25.50%	21.20%
LIFE INSURANCE PLAN								
Districts' proportion of the net OPEB liability (asset)	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
District's proportionate share of the net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>81,000</u>	<u>98,000</u>	<u>110,000</u>	<u>45,000</u>	<u>123,000</u>	<u>112,000</u>	<u>104,000</u>	<u>81,000</u>
Total	<u>\$ 81,000</u>	<u>\$ 98,000</u>	<u>\$ 110,000</u>	<u>\$ 45,000</u>	<u>\$ 123,000</u>	<u>\$ 112,000</u>	<u>\$ 104,000</u>	<u>\$ 81,000</u>
District's covered-employee payroll	\$ 15,209,889	\$ 14,016,535	\$ 14,016,535	\$ 13,424,746	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	80.56%	76.91%	73.97%	89.15%	71.60%	73.40%	75.00%	80.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the accompanying notes to the required supplementary information.

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
MEDICAL AND LIFE INSURANCE PLANS
TEACHERS' RETIREMENT SYSTEM
For the year ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
MEDICAL INSURANCE PLAN								
Contractually required contribution	\$ 399,726	\$ 573,987	\$ 475,997	\$ 358,565	\$ 347,922	\$ 356,425	\$ 355,690	\$ 359,713
Contributions in relation to the contractually required contribution	<u>399,726</u>	<u>573,987</u>	<u>475,997</u>	<u>358,565</u>	<u>347,922</u>	<u>356,425</u>	<u>355,690</u>	<u>359,713</u>
Contribution deficiency (excess)	<u>-</u>							
District's covered-employee payroll	\$ 15,209,889	\$ 14,144,487	\$ 14,016,535	\$ 13,424,746	\$ 12,859,956	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458
District's proportionate share as a percentage of it's covered-employee payroll	2.63%	4.06%	3.40%	2.67%	2.71%	2.76%	2.77%	2.76%
LIFE INSURANCE PLAN								
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>							
Contribution deficiency (excess)	<u>-</u>							
District's covered-employee payroll	\$ 15,209,889	\$ 14,144,487	\$ 14,016,535	\$ 13,424,746	\$ 12,859,956	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458
District's proportionate share as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the accompanying notes to the required supplementary information.

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
For the year ended June 30, 2025

	Reporting Fiscal Year (Measurement Date) 2025 (2024)	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
HEALTH INSURANCE PLAN								
Districts' proportion of the net OPEB liability (asset)	0.14649%	0.15402%	0.13251%	0.14836%	0.15370%	0.15371%	1.60160%	0.16477%
District's proportionate share of the net OPEB liability (asset) \$	(253,399)	(212,646)	2,615,182	2,769,462	3,582,419	2,585,282	2,843,679	3,312,420
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	-	-	-	-	-
Total	<u>\$ (253,399)</u>	<u>\$ (212,646)</u>	<u>\$ 2,615,182</u>	<u>\$ 2,769,462</u>	<u>\$ 3,582,419</u>	<u>\$ 2,585,282</u>	<u>\$ 2,843,679</u>	<u>\$ 3,312,420</u>
District's covered-employee payroll	\$ 4,594,431	\$ 8,842,087	\$ 4,558,462	\$ 3,666,125	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000	\$ 4,017,598
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-5.52%	-2.40%	57.37%	75.54%	94.24%	72.29%	71.58%	82.45%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	-5.31%	-4.63%	60.94%	73.08%	51.67%	60.44%	57.62%	13.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the accompanying notes to the required supplementary information.

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
For the year ended June 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
MEDICAL INSURANCE PLAN								
Contractually required contribution	\$ 7,676	\$ 9,297	\$ 155,828	\$ 138,265	\$ 180,942	\$ 108,373	\$ 85,818	\$ 76,400
Contributions in relation to the contractually required contribution	<u>7,676</u>	<u>9,297</u>	<u>155,828</u>	<u>138,265</u>	<u>180,942</u>	<u>108,373</u>	<u>85,818</u>	<u>76,400</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 4,594,431	\$ 8,842,087	\$ 4,558,462	\$ 3,666,125	\$ 3,695,874	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000
District's proportionate share as a percentage of it's covered-employee payroll	0.17%	0.11%	3.42%	3.77%	4.90%	2.85%	2.40%	1.92%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the accompanying notes to the required supplementary information.

**ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB**

For the Year ended June 30, 2025

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Valuation Date: June 30, 2024

2023 Changes in Actuarial Assumptions: Investment return assumption was raised to 6.50% for the actuarial valuation and the municipal bond rate was raised 3.86%. The single discount rate for the 2023 measurement was increased to 5.93%. Contributions in the 2023 measurement period were based on the 2021 valuation that used an investment return of 6.25%, inflation of 2.3%, and salary increases of 3.3% to 10.30%, depending on service.

2022 Changes in Actuarial Assumptions: Initial rates for health cost trends for retirees under age 65 were lowered from 6.4% to 6.25% and rates for retirees ages 65 or older were increased from 2.9% to 5.5%. Municipal bond index rate was lowered from 2.45% to 1.92% (Fidelity 20-Year Municipal GO AA Index). And the single discount rate for the CERS non-hazardous insurance plan was lowered from 5.34% to 5.20%.

2017 Changes in Actuarial Assumptions: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions which were changed from the 2016 actuarial valuation, applied to all periods included in the measurement:

Investment rate of Return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	4% average
Inflation rate	3.25%
Healthcare cost trend rates Under 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and Older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years
Municipal Bond Index Rate	3.56%
Discount Rate	5.84%

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Medical

Valuation Date: June 30, 2024

2023 Changes to Actuarial Assumptions:

- Health care trend rates, as well as the TRS 4 retirement decrements, were updated to reflect future anticipated experience.

2022 Changes to Actuarial Assumptions:

- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, setbacks, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives.
- The assumed long-term investment rate of return was changed from 8.00% for the Health Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.5%.
- The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

2020 Changes to Actuarial Assumptions:

The actuary updated the health care trend rates based on current economic data.

ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB
For the Year ended June 30, 2025

2017 Changes to Benefit Terms:

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retire prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Life

Valuation Date: June 30, 2024

2022 Changes to assumptions:

- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, setbacks, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives.
- The assumed long-term investment rate of return was changed from 7.50% for the Life Trust to 7.10% The price inflation assumption was lowered from 3.00% to 2.5%
- The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

2021 Changes to benefits:

- Tier 4 was added for members joining the system on and after January 1, 2022. Changes to the Life insurance benefit include:
 - \$5,000 for retired members if hired prior to January 1, 2022.
 - \$10,000 for retired members if hired on or after January 1, 2022.
 - \$2,000 for active contributing members if hired prior to January 1, 2022.
\$5,000 for active contributing members if hired on or after January 1, 2022

Rockcastle County School District
Combining Balance Sheet - Nonmajor Governmental Funds
 Year ended June 30, 2025

	<u>Capital Outlay</u>	<u>School Activity Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ _____	\$ 644,163	\$ _____	644,163
Total Assets	<u> -</u>	<u>644,163</u>	<u> -</u>	<u>644,163</u>
Fund Balance				
Restricted	<u> -</u>	<u>644,163</u>	<u> -</u>	<u>644,163</u>
Total Fund Balance	\$ <u> -</u>	\$ <u>644,163</u>	\$ <u> -</u>	<u>644,163</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	<u>Capital Outlay</u>	<u>School Activity Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Revenues				
From Local Sources				
Student Activities	\$	\$ 956,393	\$	\$ 956,393
Earnings on Investments		32,244		32,244
Other Local Revenue		44,689		44,689
Intergovernmental - State	244,910		1,452,428	1,697,338
	<u>244,910</u>	<u>1,033,327</u>	<u>1,452,428</u>	<u>2,730,665</u>
Total Revenues	244,910	1,033,327	1,452,428	2,730,665
Expenditures				
Instruction		695,653		695,653
Instructional Staff Support Services		18,929		18,929
Student Transportation		27,553		27,553
Food Service Operations		322,605		322,605
Debt Service			2,617,883	2,617,883
	<u>-</u>	<u>1,064,741</u>	<u>2,617,883</u>	<u>3,682,624</u>
Total Expenditures	-	1,064,741	2,617,883	3,682,624
Excess (Deficit) of Revenues Over Expenditures	<u>244,910</u>	<u>(31,414)</u>	<u>(1,165,455)</u>	<u>(951,959)</u>
Other Financing Sources (Uses)				
Transfers In			1,165,455	1,165,455
Transfers Out	(244,910)			(244,910)
	<u>(244,910)</u>	<u>-</u>	<u>1,165,455</u>	<u>920,545</u>
Total Other Financing Sources (Uses)	(244,910)	-	1,165,455	920,545
Net Change in Fund Balances	-	(31,414)	-	(31,414)
Fund Balance Beginning	<u>-</u>	<u>649,542</u>	<u>-</u>	<u>649,542</u>
Correction of an Error - See Note P		26,036		26,036
Restated Fund Balance Beginning	<u>-</u>	<u>675,578</u>	<u>-</u>	<u>675,578</u>
Fund Balance Ending	<u>\$ -</u>	<u>\$ 644,164</u>	<u>\$ -</u>	<u>\$ 644,164</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Combining Balance Sheet of School Activity Funds
 Year ended June 30, 2025

SCHOOL ACTIVITY FUNDS

	<u>ROCKCASTLE CO HIGH SCHOOL</u>	<u>ROCKCASTLE CO MIDDLE SCHOOL</u>	<u>BROADHEAD ELEMENTARY</u>	<u>MT. VERNON ELEMENTARY</u>	<u>ROUNDSTONE ELEMENTARY</u>	<u>TOTAL</u>
ASSETS						
Cash and cash equivalents	\$ 409,717	\$ 98,532	\$ 38,236	\$ 63,564	\$ 34,114	\$ 644,163
Total Assets	<u>409,717</u>	<u>98,532</u>	<u>38,236</u>	<u>63,564</u>	<u>34,114</u>	<u>644,163</u>
FUND BALANCE						
School activities	<u>409,717</u>	<u>98,532</u>	<u>38,236</u>	<u>63,564</u>	<u>34,114</u>	<u>644,163</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Combining Statement of Revenues, Expenditures and Changes In Fund Balance
School Activity Funds
For the Year Ended June 30, 2025

SCHOOL ACTIVITY FUNDS

	<u>ROCKCASTLE CO HIGH SCHOOL</u>	<u>ROCKCASTLE CO MIDDLE SCHOOL</u>	<u>BROADHEAD ELEMENTARY</u>	<u>MT. VERNON ELEMENTARY</u>	<u>ROUNDSTONE ELEMENTARY</u>	<u>TOTAL</u>
Revenues						
Student/Trust revenues	\$ 597,635	\$ 203,338	\$ 85,871	\$ 104,177	\$ 42,306	\$ 1,033,327
Expenditures						
Student/Trust activities	<u>590,831</u>	<u>221,237</u>	<u>107,757</u>	<u>105,763</u>	<u>39,154</u>	<u>1,064,741</u>
Excess (Deficit) of Revenues Over Expenses	<u>6,804</u>	<u>(17,899)</u>	<u>(21,886)</u>	<u>(1,586)</u>	<u>3,152</u>	<u>(31,414)</u>
Fund Balance Beginning	<u>377,215</u>	<u>116,431</u>	<u>60,122</u>	<u>65,150</u>	<u>30,624</u>	<u>649,541</u>
Correction of an Error - Note P	<u>25,698</u>				<u>338</u>	<u>26,036</u>
Restated Fund Balance Beginning	<u>402,913</u>	<u>116,431</u>	<u>60,122</u>	<u>65,150</u>	<u>30,962</u>	<u>675,577</u>
Fund Balance Ending	<u>\$ 409,717</u>	<u>\$ 98,532</u>	<u>\$ 38,236</u>	<u>\$ 63,564</u>	<u>\$ 34,114</u>	<u>\$ 644,163</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Revenues, Expenses and Changes in the Fund Balance - Rockcastle County High School
For the Year Ended June 30, 2025

	FUND BALANCE BEGINNING	REVENUES	EXPENDITURES	TRANSFERS	FUND BALANCE ENDING
GENERAL	\$ 32,700	\$ 31,785	\$ 19,361	\$ (10,492)	\$ 34,633
YOUTH SERVICES CENTER	8,708	3,190	2,818	229	9,309
UNITE - 24/25	502	-	170	(29)	303
GAME CLUB	17	-	-	(17)	-
DIVERSITY CLUB	134	-	-	-	134
FCA	483	306	-	(200)	589
SPECIAL NEEDS	-	1,702	1,700	(2)	0
JROTC	3,134	6,772	4,367	3,224	8,763
RCHS ACEDEMIC	2,306	2,346	3,827	-	825
CARD SHARKS	18	-	-	-	18
DRAMA CLUB	3,456	7,455	9,819	-	1,093
SCIENCE CLUB	163	-	-	-	163
3 ON 3 BASKETBALL	251	141	294	-	98
CORN HOLE	258	249	-	-	507
INTERNATIONAL CLUB	647	-	-	-	647
DANCE BLUE CLUB	1,520	-	-	-	1,520
SPACE CLASS	1,314	-	-	-	1,314
ROCKET CLUB	691	190	-	-	881
THEATRE CLUB	135	-	-	-	135
EDUCATION RISING	478	669	669	-	478
YOUNG DEMOCRATS	71	-	-	-	71
NATIONAL HONORS SOCIETY	2,644	4,790	3,483	(263)	3,688
FLORAL	176	-	-	-	176
CRAFT CLUB	24	-	-	-	24
KEY CLUB	1,719	105	-	-	1,824
Y- CLUB	325	5,579	249	-	5,655
FILM CLUB	17	60	-	-	77
COLORGAURD	-	3,784	4,947	1,163	-
YOUNG REPUBLICANS	8	-	-	-	8
BAND	2,329	20,093	21,406	156	1,172
ENVIRONMENTAL CLUB	965	2,882	2,564	(50)	1,233
STUDENT COUNCIL	-	1,240	2,083	843	-
STAFF CLIMATE	-	421	7,857	7,436	-
CONCESSIONS	-	5,920	2,508	(3,412)	-
BOW & ARROWS	5,036	450	969	-	4,517
GIRLS ARCHERY	-	-	916	916	-
GIRLS BASS FISHING	-	-	-	-	-
BASSRANGLERS	4	75	445	366	-
EXAMSBLDG ASSESSMENT BAC	-	6,384	5,295	17	1,106
PHYSICAL EDUCATION - P.E.	354	-	-	-	354
ROCK MOVES	1,970	-	-	-	1,970
E-SPORTS	576	-	-	-	576
ATHLETICS	71,231	67,989	22,068	(76,175)	40,977
LIVE STREAM	7	-	-	(7)	-
BOYS ARCHERY	-	-	888	888	-
BASS FISHING-BOYS	-	50	-	(50)	-
BB-FR/JV	42	-	-	-	42
BOYS BASKETBALL	-	4,275	8,937	4,662	-
TIP-OFF/BOYS BASKETBALL	7,389	17,500	23,357	4,378	5,910
12TH REG-COACHES	5,962	4,319	-	-	7,941
DIGITAL ADS	8,500	700	350	(8,850)	-
B.BASK/G.BASK DISTRICT	20,138	-	-	-	20,138
GIRLS BASKETBALL	-	5,065	8,214	3,150	20,138
LADY ROCKETS	9,828	28,781	35,843	5,168	(1,894)
BASEBALL	-	400	9,068	8,668	9,827
DUGOUT-RCHS-BASEBALL	5,916	21,747	10,552	(378)	16,733
YOUTH LEAGUE FB	1,030	-	-	-	1,030
FOOTBALL	-	1,200	31,929	30,729	-
QUARTERBACK CLUB	46,475	86,175	80,798	(4,500)	47,352
DISTRICT 1-2 BASEBALL/SOFTBALL	4,117	-	-	-	4,117
SOFTBALL	-	400	4,894	4,494	-
SLUGGER-SOFTBALL	1,277	13,314	14,154	(103)	334
GIRLS GOLF BOOSTERS	1,761	-	1,462	-	299
GIRLS GOLF	-	88	310	223	-
GOLF-BOYS	-	88	3,282	3,195	-
BOYS GOLF BOOSTERS	1,305	9,490	7,763	-	3,032
GOLF-BOYS REGION	3,988	-	-	-	3,988
TRACK-BOYS	-	-	2,128	2,128	-
TRACK-GIRLS	-	-	2,141	2,141	-
RUNNING TRACK	145	100	-	-	245
CROSS COUNTRY-GIRLS	-	-	82	82	-
CROSS COUNTRY-BOYS	-	-	69	69	-
RUNNERS-CROSS COUNTRY-BB	-	-	-	-	-
VOLLEYBALL BOOSTERS	1,162	10,335	11,066	650	1,081
VOLLEYBALL	-	500	4,707	4,207	-
12TH REGIONAL-VOLLEYBALL	5,845	-	-	-	5,845
SOCCER	-	1,100	8,698	7,598	-
GOAL KICKER	-	9,068	5,550	1,000	4,518
SPORTS-JACKETS-ETC	-	12,487	466	-	12,021
RACQUET CLUB	460	8,262	4,858	-	3,864
TENNIS-GIRLS	-	-	7,503	7,503	-
SWIM	-	-	899	899	-
SWIM-ROCKETS	750	2,165	1,455	-	1,460
FFA	2,595	8,844	9,525	(591)	1,323
KY RIVER REGION FFA	4,473	2,426	2,348	(309)	4,242
FCCLA	18,482	25,743	30,935	1,163	14,453
CHEERLEADERS	4,276	86,663	77,444	1,500	14,995
LEGACY GRANT "DAR"	5,000	-	-	-	5,000
AGRICULTURE-GREENHOUSE	28,814	14,968	19,865	-	23,917
AGR-CONSTRUCTION	658	1,830	2,326	(100)	61
ART BOOSTERS	346	-	45	200	501
CHORUS	-	3,112	2,620	-	492
MUSIC-NASHVILLE	337	-	-	(337)	0
ROCK CLASSIC BASKET B & G	5,301	8,648	5,327	(8,000)	622
PROM	12,332	9,587	10,400	(200)	11,319
YEARBOOK	14,523	4,375	2,825	-	16,073
BOOK CLUB	35	-	-	-	35
EMERICK SCH.INTEREST	411	225	-	-	636
EMERICK SCHOLARSHIP	25,000	-	-	-	25,000
SENIORS	-	8,568	13,359	4,791	-
LIBRARY	1,067	57	630	-	494
TSA	8,788	5,939	545	280	14,462
JAG KY	20	-	-	-	20
ROCK-HOSP	-	-	-	-	-
GIFTED & TALENTED	-	1,266	1,061	-	205
SPORTS DIGITAL	-	3,199	-	(49)	3,150
TOTALS	\$ 402,913	597,635	590,831	0	409,717

See the accompanying notes to the financial statements.

ROCKCASTLE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2025

<i>Award Information</i>	<i>AL/other #</i>	<i>Pass-Through Entity Name</i>	<i>Pass-Through Entity #</i>	<i>Passed-through to Subrecipients (\$)</i>	<i>Federal Expenditures (\$)</i>
Child Nutrition Cluster-Cluster					
United States Department of Agriculture					
School Breakfast Program					
School Breakfast Program	10.553	KY Department of Education	7760005-24		82,511
School Breakfast Program	10.553	KY Department of Education	7760005-25		497,469
Total School Breakfast Program				-	579,980
National School Lunch Program					
National School Lunch Program	10.555	KY Department of Education	7750002-24		307,330
National School Lunch Program	10.555	KY Department of Education	7750002-25		1,261,748
Total National School Lunch Program				-	1,569,078
Summer Food Service Program for Children					
Summer Food Service Program for Children	10.559	KY Department of Education	7740023-24		11,090
Summer Food Service Program for Children	10.559	KY Department of Education	7740023-25		28,652
Summer Food Service Program for Children	10.559	KY Department of Education	7690024-24		1,146
Summer Food Service Program for Children	10.559	KY Department of Education	7690024-25		2,940
Total Summer Food Service Program for Children				-	43,828
Fresh Fruit and Vegetable Program					
Fresh Fruit and Vegetable Program	10.582	KY Department of Education	7720012-24		7,687
Fresh Fruit and Vegetable Program	10.582	KY Department of Education	7720012-25		57,791
Total Fresh Fruit and Vegetable Program				-	65,478
<i>Total United States Department of Agriculture</i>					
					2,258,364
Total Child Nutrition Cluster-Cluster					
Food Distribution Cluster-Cluster					
United States Department of Agriculture					
Commodity Supplemental Food Program					
Commodity Supplemental Food Program	10.565	KY Department of Agriculture	510.4950		172,808
Total Commodity Supplemental Food Program				-	172,808
<i>Total United States Department of Agriculture</i>					
					172,808
Total Food Distribution Cluster-Cluster					
Special Education Cluster (IDEA)-Cluster					
Department of Education					
Special Education Grants to States					
Special Education Grants to States	84.027	KY Department of Education	3810002-22		413
Special Education Grants to States	84.027	KY Department of Education	3810002-23		190,348
Special Education Grants to States	84.027	KY Department of Education	3810002-24		682,507
Special Education Grants to States	84.027	KY Department of Education	3810002-21		0
Total Special Education Grants to States				-	873,268
Special Education Preschool Grants					
Special Education Preschool Grants	84.173	KY Department of Education	3800002-22		29,608
Special Education Preschool Grants	84.173	KY Department of Education	3800002-23		32,386
Special Education Preschool Grants	84.173	KY Department of Education	3800002-24		6,226
Total Special Education Preschool Grants				-	68,220
<i>Total Department of Education</i>					
					941,488
Total Special Education Cluster (IDEA)-Cluster					
Other Programs (Treated individually for major program determination)					
United States Department of Agriculture					
State Administrative Expenses for Child Nutrition					
State Administrative Expenses for Child Nutrition	10.560	KY Department of Education	7700001-24		6,004
Total State Administrative Expenses for Child Nutrition				-	6,004
<i>Total United States Department of Agriculture</i>					
					6,004
Department of Defense					
ROTC					
ROTC	12.000	504K			80,320
Total ROTC				-	80,320
<i>Total Department of Defense</i>					
					80,320
Department of Education					
Title I Grants to Local Educational Agencies					
Title I Grants to Local Educational Agencies	84.010	KY Department of Education	3100002-22		82,758
Title I Grants to Local Educational Agencies	84.010	KY Department of Education	3100002-23		253,097
Title I Grants to Local Educational Agencies	84.010	KY Department of Education	3100002-24		1,105,834
Total Title I Grants to Local Educational Agencies				-	1,441,689
Career and Technical Education -- Basic Grants to States					
Career and Technical Education -- Basic Grants to States	84.048	KY Department of Education	37100002-23		2,825
Career and Technical Education -- Basic Grants to States	84.048	KY Department of Education	37100002-24		25,612
Total Career and Technical Education -- Basic Grants to States				-	28,437
Career and Technical Education -- National Programs					
Career and Technical Education -- National Programs	84.051				479,670
Total Career and Technical Education -- National Programs				-	479,670
Appalachian Technical Education					
Appalachian Technical Education	84.168				24,257
Total Appalachian Technical Education				-	24,257

Innovative Approaches to Literacy; Promise Neighborhoods; Full-Service Community Schools; and Congressionally Directed Spending for Elementary and Secondary Education Community Projects				
Innovative Approaches to Literacy; Promise Neighborhoods; Full-Service Community Schools; and Congressionally Directed Spending for Elementary and Secondary Education Community Projects	84.215			268,968
Total Innovative Approaches to Literacy; Promise Neighborhoods; Full-Service Community Schools; and Congressionally Directed Spending for Elementary and Secondary Education Community Projects				268,968
Gaining Early Awareness and Readiness for Undergraduate Programs				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Berea College	379*	480,786
Total Gaining Early Awareness and Readiness for Undergraduate Programs				480,786
Rural Education				
Rural Education	84.358	KY Department of Education	31400002-23	29,783
Rural Education	84.358	KY Department of Education	31400002-24	9,575
Total Rural Education				39,358
Comprehensive Literacy Development				
Comprehensive Literacy Development	84.371	KY Department of Education	32200002-21	41,639
Comprehensive Literacy Development	84.371	KY Department of Education	32200002-22	42,845
Comprehensive Literacy Development	84.371	KY Department of Education	32200002-23	107,420
Total Comprehensive Literacy Development				191,904
School Improvement Grants				
School Improvement Grants	84.377			110,778
Total School Improvement Grants				110,778
Student Support and Academic Enrichment Program				
Student Support and Academic Enrichment Program	84.424	KY Department of Education	3420002-23	2,630
Student Support and Academic Enrichment Program	84.424	KY Department of Education	3420002-23	6,703
Student Support and Academic Enrichment Program	84.424	KY Department of Education	3420002-23	20,065
Student Support and Academic Enrichment Program	84.424	KY Department of Education	3420002-24	3,732
Student Support and Academic Enrichment Program	84.424	KY Department of Education	3420002-24	1,027
Total Student Support and Academic Enrichment Program				34,157
<i>Total Department of Education</i>				
				3,100,004
Total Other Programs (Treated individually for major program determination)				
				3,186,328
Total Expenditures of Federal Awards				
				\$ 6,558,988

The accompanying notes are an integral part of this schedule

ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2025

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Rockcastle County School District under the programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Rockcastle County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2025, the District received food commodities totaling \$345,616.

NOTE D – INDIRECT COST RATE

The Rockcastle County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education of the Rockcastle County School District
Mount Vernon, KY

We have audited, in accordance with the auditing standards generally accepted in the United States and the *Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of Rockcastle County School District (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated January 30, 2026

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Allen + Associates, PLLC

Richmond, KY
January 30, 2026



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education of the Rockcastle County School District
Mt. Vernon, KY

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rockcastle County School District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended June 30, 2025. District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards,

Government Auditing Standards, and the Uniform Guidance will not always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Allen + Associates, PLLC

Richmond, KY
January 30, 2026

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2025

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	No
Major Programs: Child Nutrition Cluster [ALNs 10.553, 10.555, 10.559, 10.582] Special Education (IDEA) Cluster [ALNs 84.027, 84.173]	
Dollar threshold of Type A and B programs	\$750,000
Low risk auditee?	No

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMSAUDIT

No findings at the major federal award programs level.

ROCKCASTLE COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2025

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no prior audit findings.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMSAUDIT

There were no findings at the major federal award programs level